Mangel Stores

CORPORATION

and Subsidiaries

ANNUAL REPORT • 1956

YEAR ENDING JANUARY 31ST

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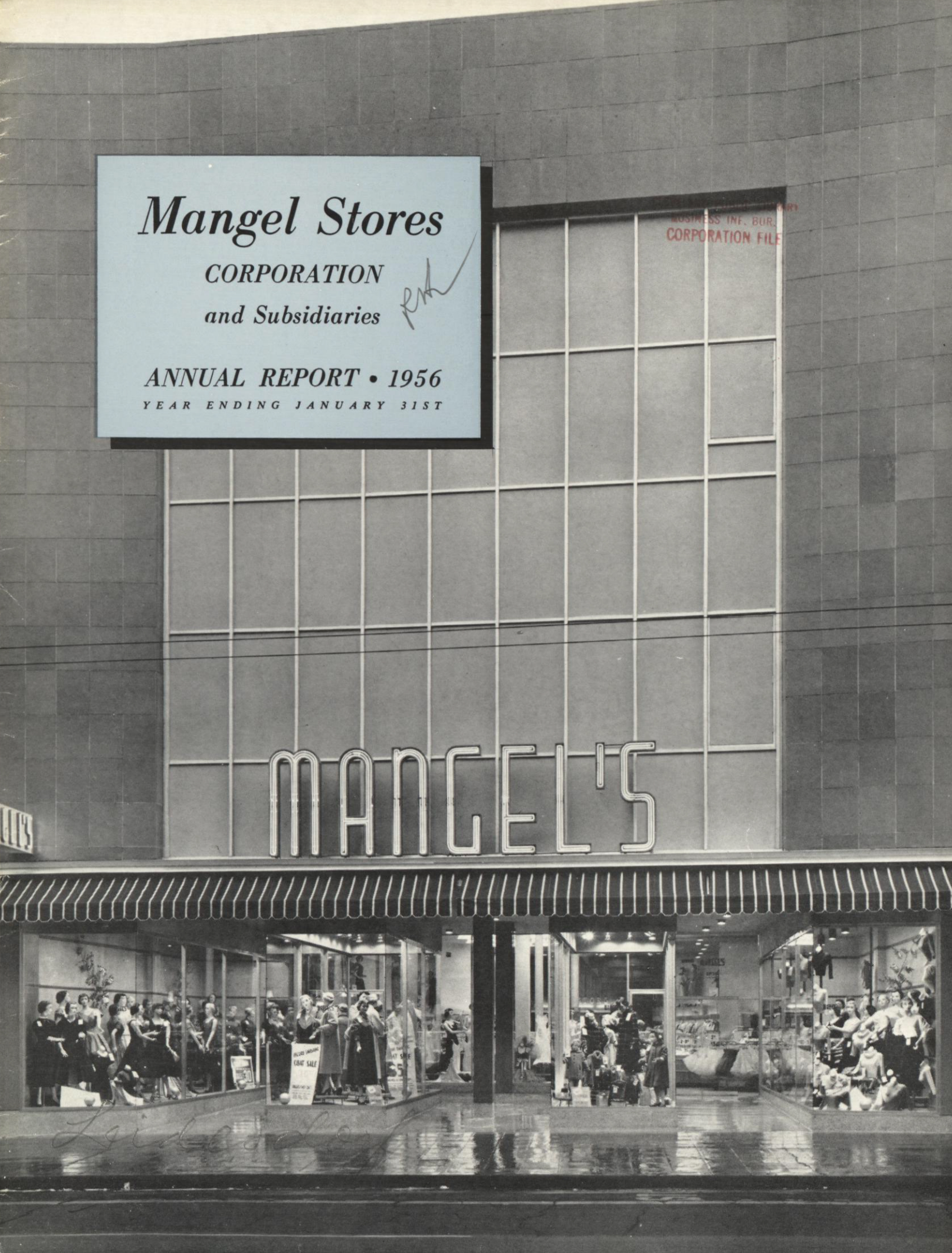
CORPORATION FILE



MANGEL'S

Highlights

BALANCE SHEET DATA	1956	1955
Current Assets	$9,192,496	$8,021,817
Current Liabilities	2,344,816	1,382,041
Net Working Capital	6,847,680	6,639,776
Current Ratio	3.9	5.8
Accounts Receivable	$3,116,513	$2,527,242
Inventories	3,338,297	3,246,599
Fixed Assets	5,544,515	3,816,201
Long-Term Debt	3,447,432	2,722,340
Shareholders' Equity	9,142,911	8,416,827
INCOME DATA		
Number of Stores	118	117
Net Sales	$29,083,147	$27,564,670
Net Income before Federal Income Taxes	1,642,986	1,358,215
Federal Income Taxes	563,000	468,000
Net Income after Taxes	1,079,986	890,215
PER SHARE DATA		
Earnings per Share	4.27	3.52
Dividends per Share	1.40	1.25
Book Value per Share	36.17	33.30

OFFICERS

Sol Mangel, *President*

Phillip F. Frankel, *Vice-President*

Sidney Mangel, *Vice-President*

Israel A. Diamond, *Vice-President and Assistant Treasurer*

Saul C. Guzy, *Vice-President and Assistant Secretary*

Sophia Kaufman, *Vice-President*

Philip Diamond, *Treasurer*

Max Weinreich, *Secretary*

DIRECTORS

Sol Mangel

Philip Diamond

Max Weinreich

Phillip F. Frankel

Saul C. Guzy

Israel A. Diamond

Sidney Mangel

Herbert J. Deitz

George M. Jaffin

EXECUTIVE OFFICES, *1107 Broadway, New York 10, N. Y.*

TRANSFER AGENT, *Guaranty Trust Company of New York, 140 Broadway, New York 15, N. Y.*

REGISTRAR, *Manufacturers Trust Company, 55 Broad Street, New York 4, N. Y.*

President's Letter

TO THE STOCKHOLDERS OF

MANGEL STORES CORPORATION:

We present herewith the report of your Company for the fiscal year ended January 31, 1956.

SALES

Consolidated net sales for the fiscal year ended January 31, 1956 totalled $29,083,147, an increase of $1,518,477, or 5.5% over the previous year, when sales totalled $27,564,670.

This increase in sales volume resulted, principally, from the opening of new stores.

EARNINGS

The net earnings for this fiscal year after providing for Federal Taxes on income amounted to $1,079, 986, as compared with $890,215 in the previous year, an increase of $189,771, or 21.3%.

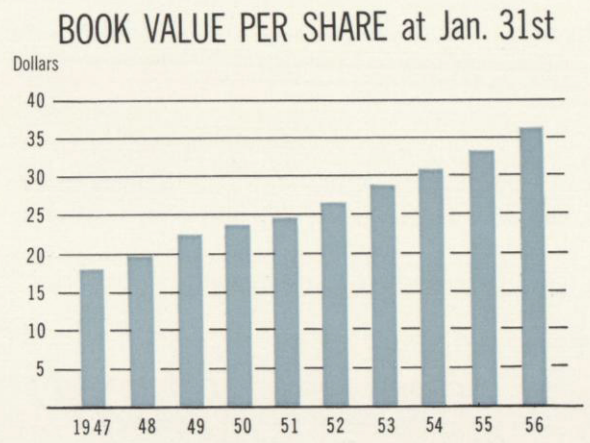
Share earnings were $4.27 for the current year as compared with $3.52 for the previous year.

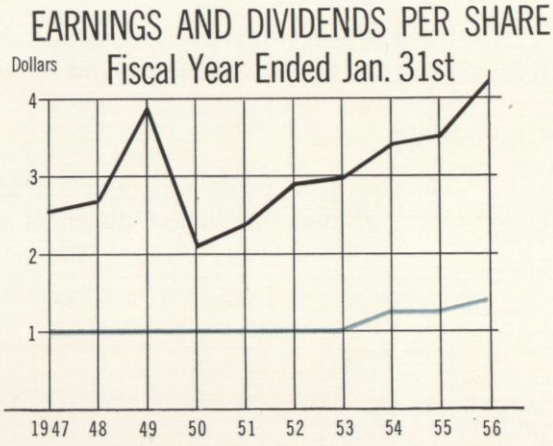
The improvement in earnings resulted from increased sales volume, improved merchandising and expense conservation.

DIVIDENDS

On November 21, 1955, the Board of Directors authorized an increase in the regular quarterly dividend to 40¢ per share, thus placing the stock on a $1.60 regular annual basis.

During the fiscal year just ended, the Company paid total dividends of $353,902 or $1.40 per share, consisting of three regular quarterly dividends of 25¢ each, a year-end dividend of 25¢ and the increased quarterly dividend of 40¢ declared on November 21, 1955, referred to above.





FINANCIAL CONDITION

The financial condition of the Company was further strengthened during the year. Net worth of the business increased from $8,416,827 at the beginning of the year, to $9,142,911 at the end of the year, reflecting a book value of $36.17 per share.

STORES IN OPERATION

At the beginning of the fiscal year, we had 117 stores in operation. During the year we opened eight new stores and closed seven stores, leaving 118 in operation at the end of the year.

New stores were opened in Huntsville and Prichard, Alabama; Canton, Ohio; Midland and Corpus Christi, Texas; Salisbury, Maryland and Panama City and Orlando, Florida. The Orlando, Florida store is located in a shopping center.

Alterations of a major nature were made in the stores located at Chattanooga, Tennessee; Meridian, Mississippi; Birmingham and Montgomery, Alabama and McAllen, Austin and Dallas, Texas.

EXPANSION

After the close of the fiscal year, new stores were opened in Hobbs, New Mexico; Elmira, New York; Bridgeport, Connecticut and Huntington, West Virginia, where a women's apparel store and a children's apparel store were combined into one new larger unit.

The Bridgeport, Connecticut unit is the only self-service store in the chain, and although opened only on March 2nd of this year, shows promise.

Leases have been executed and in some instances alterations have been started for stores to be opened in Lancaster, Ohio; Santa Fe, New Mexico and Valdosta, Georgia, and in shopping centers in Pensacola and Miami Beach, Florida and Shively, Kentucky.

A building was purchased in Kalamazoo, Michigan where a store will be built later this year.

On December 29th, 1955, we took title to our new buildings in New York City, where our executive offices, buying, warehousing and other merchandising facilities eventually will be located.

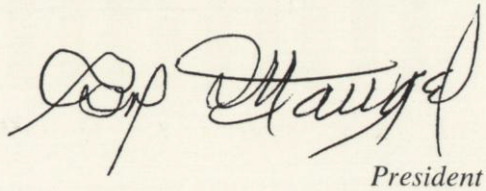
OUTLOOK

Your Management is gratified with the results of this fiscal year's operation and looks to the foreseeable future with confidence and optimism.

GENERAL

We wish to express our appreciation to all our employees in the stores as well as at the Home Office, to our Suppliers, Customers and Stockholders for their loyalty and cooperation.

Respectfully submitted,



March 30, 1956

President

MANGEL'S

MANGEL STORES CORPORATION AND SUBSIDIARIES

Comparative Consolidated Statement of Income

FOR THE YEAR ENDED JANUARY 31, 1956-1955

	1956	1955
Net sales, including leased departments' sales	$29,083,147	$27,564,670
Cost of sales, and general, administrative and selling expenses (exclusive of depreciation and amortization), less service charges on budget accounts	26,830,028	25,628,881
	2,253,119	1,935,789
Provision for depreciation and amortization	699,647	660,739
	1,553,472	1,275,050
Other income – net	89,514	83,165
Net income before Federal taxes on income	1,642,986	1,358,215
Provision for Federal taxes on income	563,000	468,000
Net income	$ 1,079,986	$ 890,215

Comparative Consolidated Statement of Surplus

FOR THE YEAR ENDED JANUARY 31, 1956-1955

CAPITAL SURPLUS – Notes B and C:		
Balance as at January 31, 1956-1955 (no change during each year).	$ 789,506	$ 789,506
EARNED SURPLUS (since January 1, 1936) – Notes B and C:		
Balance as at January 31, 1955-1954	7,374,534	6,808,428
Net income	1,079,986	890,215
	8,454,520	7,698,643
Deduct:		
Dividends paid on Common Stock – $1.40 per share in 1956 and $1.25 per share in 1955	353,902	316,109
Excess of cost over par value of 500 shares of Common Stock purchased and held in treasury		8,000
	353,902	324,109
Balance as at January 31, 1956-1955	$ 8,100,618	$ 7,374,534

The Notes to Financial Statements are an integral part of these statements and should be read in conjunction herewith.

MANGEL STORES CORPORATION AND SUBSIDIARIES

MANGEL'S

Comparative Consolidated Balance

ASSETS

CURRENT ASSETS:	1956	1955
Cash	$ 2,731,371	$ 1,200,536
United States Government securities – at cost, plus accrued interest, less amounts applied in reduction of reserve for Federal taxes on income – per contra – $10,000, 1956; $545,975, 1955		1,003,141
Accounts receivable – trade, less reserve	3,116,513	2,527,242
Miscellaneous accounts receivable, including current installments of a mortgage receivable	6,315	44,299
Merchandise inventory – at the lower of cost or market, based upon the retail method of inventory valuation (including merchandise in transit – at cost – $181,880, 1956; $107,437, 1955)	3,338,297	3,246,599
TOTAL CURRENT ASSETS	9,192,496	8,021,817
OTHER ASSETS:		
Mortgages receivable, less current installments included above – $5,812, 1956; $5,114, 1955	134,357	379,886
Deposits and miscellaneous other assets – Note A	95,394	19,504
	229,751	399,390
FIXED ASSETS – at cost, except for $86,960 of real estate which is at appraised amount:		
Real estate – subject, in part, to mortgages – per contra, less reserves for depreciation – $88,629, 1956; $74,633, 1955	1,908,630	556,732
Furniture, fixtures and leasehold improvements, less reserves for depreciation and amortization – $3,808,556, 1956; $3,241,222, 1955	3,635,885	3,259,469
	5,544,515	3,816,201
DEFERRED CHARGES:		
Unexpired insurance	111,627	125,698
Prepaid taxes, expenses, etc.	138,827	373,265
	250,454	498,963
GOODWILL	1	1
	$15,217,217	$12,736,372

The Notes to Financial Statements are an integral part

Sheet as at January 31, 1956-1955

LIABILITIES

	1956	1955
CURRENT LIABILITIES:		
Notes payable – The Prudential Insurance Company of America – current installments – Note B	$ 267,000	$ 267,000
Accounts payable – merchandise, less discounts	584,227	383,582
Accounts payable – expenses, taxes, etc.	715,568	598,776
Customers' deposits on layaway sales and credits	167,874	125,011
Mortgages payable, 4% – current installments	7,942	7,672
Reserve for Federal taxes on income, less United States Government securities – at cost, plus accrued interest – per contra – $10,000, 1956; $545,975, 1955	602,205	
TOTAL CURRENT LIABILITIES	2,344,816	1,382,041
NOTES PAYABLE – bank – due April 30, 1957	1,000,000	
NOTES PAYABLE – The Prudential Insurance Company of America, less current installments shown above – Note B	2,350,000	2,617,000
MORTGAGES PAYABLE, 4% – less current installments shown above (collateralized by real estate – per contra):		
Mortgage payable through September 1, 1964	57,528	63,784
Mortgage payable through January 1, 1966	39,904	41,556
TOTAL LIABILITIES	5,792,248	4,104,381
DEFERRED INCOME	282,058	215,164
CAPITAL STOCK AND SURPLUS:		
Common Stock – par value $1.00 per share:		
	Shares	
Authorized	300,000	
Issued	282,470	282,470 282,470
Less: Treasury stock	29,683	29,683 29,683
Outstanding	252,787	252,787 252,787
Surplus – Notes B and C:		
Capital Surplus		789,506 789,506
Earned Surplus (since January 1, 1936)		8,100,618 7,374,534
		9,142,911 8,416,827
LONG TERM LEASES AND OTHER COMMITMENTS – NOTES A AND D		
		$15,217,217 $12,736,372

this statement and should be read in conjunction herewith.

NOTES *to Financial Statements*

The figures as at and for the year ended January 31, 1955 are shown in the accompanying financial statements for comparative purposes. Reference is made to the previously issued report for the notes applicable thereto.

NOTE A—Included in deposits and miscellaneous other assets is a $50,000 deposit on a contract entered into by the Company for the purchase of real property in Kalamazoo, Michigan. Title to the property was taken by the Company on March 7, 1956 upon payment of the balance of the purchase price amounting to $250,000.

NOTE B—Under loan agreements dated March 1, 1949, September 15, 1950 and October 25, 1951, loans aggregating $4,000,000 were obtained from The Prudential Insurance Company of America evidenced by promissory notes. At January 31, 1956 the balances of the loans amounted to $1,467,000 maturing in 1961 and $1,150,000 maturing in 1966. The agreements applicable to the loans maturing in 1961 provide for semiannual prepayments of $83,500 until maturity; the other loan provides for semiannual prepayments of $50,000 until maturity. The notes bear interest at the rate of 3⅞%, 3¼% and 4% per annum.

The loan agreements contain certain restrictions which limit the payment of dividends (except stock dividends), the net reduction of capital stock and the amount of certain investments to 70% of consolidated net earnings subsequent to January 31, 1951, plus $250,000. As at January 31, 1956 the amount of $1,721,299 was not subject to these restrictions.

NOTE C—The consolidated Earned and Capital Surplus includes undistributed earnings of subsidiaries which may be subject to Federal taxes on income if and when received by the parent company in the form of dividends.

NOTE D—As at January 31, 1956, the minimum annual rentals on property covered by 111 leases expiring after January 31, 1959 amounted to approximately $1,300,000. Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc. In addition, two lease agreements provide for rentals exclusively on the basis of sales.

GENERAL—The accompanying financial statements are subject to final determination of Federal, state and local taxes.

ACCOUNTANTS' REPORT

TO THE BOARD OF DIRECTORS
MANGEL STORES CORPORATION
NEW YORK, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at January 31, 1956 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus, together with the notes to financial statements, present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 31, 1956, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.
March 21, 1956

MANGEL'S

Ten-Year Review

Comparisons of Financial and Statistical Data

YEAR ENDED JANUARY 31	NUMBER OF STORES	NET SALES	NET INCOME AFTER FEDERAL TAXES	EARNINGS PER COMMON SHARE	NET WORKING CAPITAL	SHARE-HOLDERS' EQUITY
1956	118	$29,083,147	$1,079,986	$4.27	$6,847,680	$9,142,911
1955	117	27,564,670	890,215	3.52	6,639,776	8,416,827
1954	117	28,491,478	856,953	3.38	6,542,994	7,851,221
1953	114	29,013,922	757,998	2.99	6,016,572	7,310,876
1952	117	29,116,235	743,721	2.90	6,108,845	6,859,885
1951	115*	25,635,310	615,404	2.40	4,394,366	6,372,950
1949**	89	25,668,102	544,994	2.12	4,046,309	6,138,191
1948**	89	27,081,382	993,596	3.87	3,373,724	5,849,999
1947**	90	22,673,345	691,981	2.69	3,009,757	5,113,204
1946**	92	21,745,066	653,857	2.55	2,910,000	4,678,025

*Includes acquisition of 26 stores in September 1950.

**Calendar years ended December 31st.

MANGEL'S

MANGEL STORES CORPORATION AND SUBSIDIARIES

Smart fashion at moderate prices has been an important factor in Mangel's growth.

Sportswear and accessories offer the Mangel's shopper a wide range of choice in assembling her costume.

Mangel and Salle-Ann apparel is available in a wide variety of sizes and colors, to fit any taste.

Store Locations according to States

Mangel Stores CORPORATION *and Subsidiaries*

ANNUAL REPORT • 1956

YEAR ENDED JANUARY 31ST